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7 FEB 1966

MEMORANDUM FOR: Director of Logistics

SUBJECT : Federal Telecommunications System

1. Attached is a copy of a report dated 8 January 1966 from the Bureau of the Budget to the Chairman, Treasury-Post Office Subcommittee, House Committee on Appropriations. This report describes a review of the Federal Telecommunications System (FTS) by the Bureau of the Budget. Also attached is a newspaper article on FTS which was supplied by George Thompson.

2. I realize that we have studied the possibility of Agency participation in the FTS and have concluded that we should not do so for security and operational reasons, but I believe we should not consider this matter closed. The last paragraph of the BOB report indicates that the current emphasis on controlling use of long-distance telephone might be broadened to include total communications matters.

3. Will you please work with the Office of Communications in developing material on the broader communications subject referred to by the Bureau of the Budget with a view toward responding to the Bureau of the Budget or the General Services Administration if such should be required. A report is not required at this time but I would like to have a briefing from you by mid-April on developments in this area by that time and on any further preparation which we should make for possible response to an inquiry.

SIGNED R. L. Bannerman

R. L. Bannerman
Deputy Director
for Support

2 Attachments

Att 1: BOB Report, subj: Review of FTS

Att 2: Newspaper Article dtd 28 Jan 66,

Washington Daily News

cc: Director of Communications

EO-DD/S:VRT/jf (3 Feb 66)

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EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
Washington, D. C. 20503

19
January 12, 1966

MEMORANDUM TO EXECUTIVE OFFICERS

Subject: Federal Telecommunications System

For your information there is attached a copy of Bureau of the Budget letter of January 8, 1966 to the Honorable Tom Steed, Chairman, Treasury-Post Office Subcommittee, Committee on Appropriations of the House of Representatives. The letter and attached findings and conclusions set forth the results of our review of the Federal Telecommunications System (FTS). This review was initiated by letter dated September 28, 1965, from Deputy Director Staats to sixteen major FTS-using agencies.


Harold Seidman
Assistant Director for
Management and Organization

Attachment

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
Washington, D. C. 20503

January 8, 1966

Honorable Tom Steed
Chairman, Treasury-Post Office
Subcommittee
Committee on Appropriations
House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

This is in response to your letter of July 9, 1965, and our reply of August 1, 1965, with respect to a review by the Bureau of the Budget of the Federal Telecommunications System.

We have completed the review requested and the results indicate in general that the Federal Telecommunications System (FTS) has not been operating as effectively or as economically as desired, but service deficiencies are being overcome, improvements are expected to continue, and the outlook for a fully effective and economical telephone system is favorable. The review also has shown that agencies are primarily concerned with the problems caused by the FTS in budgeting and accounting for long-distance charges, and we are giving our attention to this problem area.

The principal results of the review are set forth in the attached findings and conclusions. We will be pleased to discuss this matter with the Committee during the 1967 budget hearings.

Sincerely,

(signed) Elmer B. Staats

Elmer B. Staats
Deputy Director

Enclosure

REVIEW OF THE FEDERAL TELECOMMUNICATIONS SYSTEM

Principal Findings

The Federal Telecommunications System (FTS) provides a total telephone network service for Government agencies, including local service as well as intercity or long-distance service. In keeping with the background and problems which led to the request for this review, however, we have disregarded the local service feature of the FTS and have directed our efforts entirely toward an understanding of the effectiveness of the long-distance telephone service and of the economical aspects of such service, including the distribution among using agencies of the total cost of FTS long-distance calls. Basically, the FTS has been faced with two major problems - one with respect to the quality of service provided long-distance users, the other in the nature of the billing for such usage.

The rapid and extensive growth in the use of long-distance calling has been the principal cause of the FTS service deficiencies. The volume of calls has been far greater than originally anticipated and provided for in the design of the system. When the FTS became fully operative to some 425 cities at the beginning of fiscal year 1965, the available long-distance circuits and switching equipment were not sufficient to meet the heavy demand experienced, causing a general deterioration in FTS service, which continued until late in that year when with additional facilities installed service began to improve.

The extent of the growth in intercity calling is indicated from FTS sampling results and from information furnished by 16 major using agencies which account for more than 80 percent of the total FTS traffic. Originally designed to handle approximately 13 million calls annually, the most recent FTS sampling of long-distance calls indicates current calling rate at 42 million calls, an increase of 223 percent over initial estimates. This increase in FTS calls was to some extent a reflection of decreased use of commercial long-distance service, for which fiscal year 1966 agency estimates indicate a reduction of almost 45 percent in comparison with fiscal year 1964. Cost data supplied by the major using agencies show from estimates for fiscal year 1966 that total long-distance telephone costs for commercial and FTS service will have increased approximately 75 percent since the beginning of the FTS. Nearly half of this increase, however, probably would have occurred under normal growth factors since during the same period the costs for local service increased over 33 percent. These total long-distance cost estimates show that agencies in general anticipate a return to normal growth rates in fiscal year 1967 and some agencies expect to hold these costs to 1966 levels.

It is generally recognized that the unexpected growth in long-distance usage was due to the determination that FTS users were not required to

year and these are expected to bring the overall FTS service to an acceptable level.

The greatest criticism of the FTS arises from the budgeting and accounting problems which have been created at departmental levels. Prior to the FTS, agencies were billed directly by local telephone companies for each long-distance call made. Thus, there was little difficulty in associating toll charges with the agency, bureau, or office making such calls. Under the FTS, however, a total long-distance bill is presented quarterly to each department or agency based on the results of a sampling of FTS users. This bill in most cases is for all calls made by the department or agency through the FTS for the billing quarter. For example, the Department of Agriculture receives one bill in a total amount for all long-distance calls made in Washington and in the field by its bureaus and services. When received by an agency, this total charge must be distributed among the various appropriations in which communications costs were budgeted. Initially, it was possible in most agencies for such distribution to be based on prior commercial long-distance experience. However, as FTS usage increased and charges increased proportionately, and retroactively, the distribution of charges became of necessity an arbitrary assessment. Such actions have been an irritation for internal departmental relations and have brought frustrations to personnel handling the FTS bills who must assign budget and accounting responsibility for increased FTS charges without adequate information as to where increased usage may be occurring. Agency frustrations and exasperations with FTS billing are becoming more intense and uniformly agencies have asked that some solution be found to this problem. A number have suggested that automatic call identification equipment be installed to provide a basis for accounting control.

There are several mechanical methods for controlling telephone usage. One method is to restrict instruments from FTS access. Agencies can request such restrictions where they decide it would be advantageous, but there is some cost and the savings potential has not appeared very attractive from all indications. Another method that has considerable support from agencies is the installation of automatic message accounting (AMA) equipment. AMA equipment, which records the calling number, the called number and location, and the length of the call, would cost over \$5 million annually but could not be used in all locations. Another control device suggested by some agencies is the automatic number identification (ANI) equipment. ANI equipment would only record the caller of a completed call and would be more adaptable to FTS facilities; however, this equipment is not presently available and the cost is not known though it probably would be less than the AMA equipment. We understand that further study of possible control equipment and its cost feasibility is underway by telephone company technicians at the request of the General Services Administration.

Administrative measures offer additional opportunities for controlling telephone usage. Agencies should be able to bring about a degree of stability to long-distance practices and some capability for evaluating

the administrative measures which the General Services Administration has asked agencies to employ to insure that the FTS is used advantageously may prove to be adequate and possibly the most effective and economical method for controlling FTS use. There has not been sufficient time for agencies to fully implement and measure the results from these administrative control procedures. It seems desirable that we exhaust every reasonable opportunity to achieve effective and economical use of the FTS through use of such procedures before taking any step toward the installation of costly mechanical control equipment.

We also would be inclined to discourage installation of such equipment for the reason that we believe the current emphasis on controlling use of long-distance telephone should be broadened to include total communication management. The importance of effective communication in carrying out program responsibilities needs to be stressed at all agency levels, and the relative costs of correspondence, teletype, telephone, travel and other available communication media ascertained and compared so that in terms of overall Government cost benefit the most effective and economical means of communication can be chosen for each situation. Any established presumption against or in favor of any particular means of communication must be questioned. We believe that a proper objective for all agencies with respect to the FTS, commercial telephone service, correspondence, teletype and other media is to recognize and employ the principle that control of communication costs should not result in less communication but in the same or greater communication more economically and effectively, and that this may call for using the long-distance telephone in lieu of correspondence and vice versa. The low rate per call through the FTS gives a new basis for cost comparisons and the results of such comparisons undoubtedly will continue to bring about significant changes in established communication procedures and practices.

December 30, 1965

DD/S 66-0689
7 Feb 66

SUSPEND: ^{2 May}~~1 April~~ 66

Subj: Federal Telecommunications System

D/L to work w/OC in developing material on broader
commo subj referred to by BOB, etc.

Briefing by mid-April for RLB on developments in this
area, etc.

JANUARY 28, 1966

Unlimited Long Distance Calls at Taxpayers' Expense

Hill Hooks on to Phone Network

By JACK STEELE
Scripps-Howard Staff Writer

Many members of Congress, ever alert for ways to extend their own fringe benefits, have found a new one.

The General Services Administration revealed today that 135 members of the House and Senate have linked their home offices with the Government's nationwide phone network known as the Federal Telecommunications Service.

This means that the offices these Congressmen maintain in their home states or districts (at Government expense) can make unlimited long-distance phone calls to any major Government office in the continental United States.

24 HOURS

The FTS service enables Congressmen to maintain almost-free, round-the-clock contact between their Washington offices and home offices.

The Senators and Congressmen who use it must pay FTS a flat fee of \$20 a month (\$240 a year). In return they get unlimited calls between their Washington and home offices which otherwise might cost thousands of dollars a year.

This new gimmick came to light after Rep. George Grider (D., Tenn.) announced last week he planned to keep a long-distance phone line open to his

office in Memphis for two hours each Monday to talk to his constituents.

(A long-distance call from Memphis to Washington, at regular rates, costs \$42.35 an hour, plus tax.)

"A telephone chat will be the next best thing to a personal visit," Rep. Grider noted.

His office added: "There will be no charge for the long-distance calls since Rep. Grider maintains telephone contact with his Memphis office thru FTS lines."

CORRECTION

Rep. Grider put out a hasty correction after GSA officials pointedly reminded him that the FTS service was limited to "official" calls and that "chats"

with constituents scarcely fall in that category.

Rep. Grider then said he would charge the calls to the annual free long-distance phone allowance to which every member of Congress is entitled.

Congress boosted this allowance last year so that every member gets 12,500 minutes (208½ hours) of free long-distance calls a year.

One House member who also uses the FTS service said today it had made it possible for his office to stay within his free phone allowance without trouble.

GSA officials insisted the use of FTS facilities by

Congressmen has added little or nothing to costs.

The Government leases the long-distance lines for FTS from telephone companies at much cheaper rates than apply to regular long-distance calls.

Congressmen can use these lines, officials said, only when they are not being used for other Government business.